

# Accountancy Review

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## A Report of the Tennessee State Board of Accountancy

### May News Bulletin

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## Accountancy Act of 1998 Signed by Governor

The Tennessee Accountancy Act of 1998 was introduced to the Tennessee General Assembly on February 4, 1998. This new legislation was developed to change the law in our state to implement a large portion of the new Uniform Accountancy Act.

Governor Don Sundquist signed the *Tennessee Accountancy Act of 1998* on April 1, 1998, amending the *Tennessee Accountancy Act of 1980*. The new Act will become effective on October 1, 1998.

Tennessee becomes the first state to implement major provisions of the Uniform Accountancy Act (UAA), which includes a system allowing certified public accountants in other states to work within Tennessee with greater mobility; limited non-CPA ownership in CPA firms; a revised system for issuing CPA certificates; and restrictions on the performance of attest services. The changes made by the new legislation are as follows:

- Elimination of the "two-tier" status. Approximately

1,300 certificate holders under the status of "two-tier" will become "active" on October 1, 1998 and may be subject to the [professional privilege tax](#) assessed by the [Tennessee Department of Revenue](#)

- Terminology changes include:
  1. CPAs hold a "*certificate*."
  2. PAs hold a "*registration*."
  3. Firms hold a "*permit to practice*."The generic term of "*license*" will now be used to cover CPAs, PAs and Firms.
- Elimination of the issuance of a certificate upon passing the CPA exam. A certificate will be issued only after a candidate has met the 150 semester hour education requirement, passed the exam, passed the AICPA's Ethics Exam and has obtained one (1) year of experience in any area of accounting so long as another licensee with the knowledge of the experience signs the experience affidavit.
- Licensing requirements are simplified by allowing reciprocal licensees to obtain a certificate after only four (4) years of licensure in another state. The current law requires a reciprocal applicant to be licensed five (5) years in order to become licensed.
- Licensees from other states who wish to practice in Tennessee but reside elsewhere may be allowed to practice in this state on the other state's license. In order to do so, the home state's laws must be substantially equivalent to Tennessee Law and the licensee must notify the Board office of the intent to practice in Tennessee and agree to comply with Tennessee Law.
- A CPA/PA license will be renewed biennially upon payment of the license fee and receipt of renewal form. Licenses are renewed by odd and even years. Odd numbered certificate holders will renew on "odd" years; even numbered certificate holders will renew on "even" years. Only those with "active" licenses will have a requirement to report CPE (80 credit hours). Those with "inactive" licenses will not be required to obtain CPE.
- CPAs who are "inactive" or "retired" will be required to indicate "inactive" or "retired" when using their CPA credential. This will keep the public from being

confused about who can practice.

- The attest function has been expanded to include audits, reviews and compilation reports. All firms reporting on financial statements are subject to a Peer Review once every three (3) years and firms performing audits are required to obtain an on site review. An extra year of experience will probably be required of all licensees performing attest services.
- Firms will be allowed to have a minority percentage of ownership by non licensees. They must be active in the firm and must be individuals. This will allow those specialists such as attorneys, technology/computer experts, pension specialists and tax specialists to own the firm. These firms will be subject to reporting these ownership matters to the board.

Many areas of the old law that were confusing have been clarified, and these changes to the Act are intended to simplify the process of licensing as much as possible.

Tennessee has once again proven to be a leader in the regulation and licensing of the accounting profession. We were one of the first states to strengthen the educational requirements for CPA candidates, and are proud to once again take a leadership role in shaping the future of the profession by enacting a progressive law patterned after the new UAA.

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## **Tennessee on NASBA's Honor Roll of States**

After each Uniform CPA Examination, [NASBA](#) announces the honor roll of states. Based on the performance of candidates on the November 1997 administration of the examination, Tennessee has achieved the distinction of being one of nineteen states whose candidates achieved passing grades in all subjects at a higher rate than the national average.

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## News Briefs

### ***Changes Concerning Self-study Courses***

Beginning in 1999, all CPE self-study courses must be approved by [NASBA](#)'s CPE Quality Assurance Committee.

### ***Quality Review Reminder***

All firms performing attest services are reminded of the need for Quality Reviews once every three years. If your firm is due a quality review in 1998, our office must receive the report by August 31, 1998.

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